

Statement of
Dennis Palmer
before the
House Agriculture Committee
Subcommittee on General Farm Commodities
And Risk Management
Casa Grande, Arizona
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Mr. Chairman and members of the Sub-Committee, I want to add my welcome to Arizona. Thank you for allowing me to present comments on current and future farm policy.

My name is Dennis Palmer. I am a 4th generation cotton farmer in the Gila Valley in Southeast Arizona. My 73 year old father, 28 year old son and I are the full time operators of a 2,600 acre farm. Our wives are all actively involved in the administrative duties associated with our operations. I have another son who is serving in the U.S. Army in Germany. I am actively involved in a number of state organizations and in my marketing cooperative.

Arizona farmers strongly support current farm law and urge you to utilize the same structure in developing future policy. The marketing loan enables us to be competitive against subsidized competition in international markets; the decoupled direct payment provides certainty to those who finance our operations and the decoupled counter-cyclical payments are important when prices are low. We are fortunate that Congress has provided an effective financial safety-net to assist us when prices are low.

Arizona farmers are operating in an environment where land prices are high due to competition with developers and where irrigation water is both scarce and expensive to pump due to surging energy prices. We operate under stringent environmental regulations which contribute to increased costs of production compared to those of our international competitors.

Farming is a full-time, year-round occupation in Arizona. Our operation requires intensive management, so there are few opportunities for off-farm income compared to the mid-west where farmers can hold down other jobs.

While the structure of farm policy is important, unrealistic limitations on benefits and unnecessarily restrictive eligibility requirements can result in the most generous and effective policies being unworkable for us.

Mr. Chairman, members of the Sub-Committee, we continue to hear statements that 20% of farmers receive 80% of the benefits; that farmers are increasing the size of their operations solely to capture more payments; and, that programs inflate land values and increase rent, which blocks entry into farming.

From my perspective, the one-size fits-all, randomly established limitations on benefits unfairly penalize full-time family farmers like me. The limit on counter-cyclical payments, which applies commutatively to all crops except peanuts, covers only 348 acres of cotton on an average

Arizona farm. This is well below what is considered to be an economically efficient unit in the irrigated west. That same limit covers considerably more acreage in dry-land Texas and substantially more corn and soybean acreage in Iowa. So, not only am I competing against heavily subsidized production in China, India and Pakistan, I am competing against other US farmers who have significantly more of their production eligible for program benefits. I'm not asking you to penalize them, just don't tighten limits to further penalize me and my family.

I also want to address land values and beginning farmers. I too am concerned about the declining number of farmers and the difficulty young people have in starting their own operations. But I can assure you that tighter limits and eligibility requirements, coupled with significant cuts in support when prices are low, will make it even more difficult for young people to begin farming and will guarantee continued consolidation. In the absence of a financial safety net, what financial institution is going to provide operating capital to an inexperienced, beginning farmer?

Finally, I want to address international trade and its influence on farm policy. We are deeply concerned by the US proposal to cut domestic support by 60% because we haven't seen a reciprocal offer by our trading partners to make clear, unambiguous commitments to increase market access for our products. The US cotton industry has to export 75% of annual production. We must have consistent access to China's market; otherwise, the WTO negotiations will be a failure in our view. We ask that you insist that the negotiations are conducted as a single undertaking and that market access commitments are obtained from our trading partner.

Mr. Chairman, other members of the panel have expressed our strong interest in higher levels of coverage for crop insurance; the importance of agricultural research; the need for an effective, public-private international market development program; and conservation programs operated on a voluntary, cost-share basis. I want to associate myself with their remarks.

Mr. Chairman, thank you for the opportunity to testify today. I would be pleased to respond to your questions at the appropriate time.